

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 H-01 L-03 PA-01

PRS-01 AID-05 CIAE-00 COME-00 EB-08 FRB-03 INR-07

NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02 LAB-04

SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 /104 W

-----035615 150809Z /14

P 150634Z AUG 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 3718

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USADB

FOR NAC AGENCIES

PASS TREASURY FOR NACHMANOFF/BRADFORD

E.O. 11652: N/A

TAGS: EAID, EFIN

SUBJECT: RENTAL SUBSIDY - ADB PROFESSIONAL STAFF

REF: MANILA 12562

SUMMARY: IN VIEW OF FURTHER DETERIORATION OF RENTAL SITUATION IN MANILA DURING PERIOD JUNE 3, 1976 - MAY 31, 1977, ADB MANAGEMENT PROPOSES TO INCREASE PERCENTAGE OF RENTAL SUBSIDY AVAILABLE TO PROFESSIONAL STAFF FROM PRESENT 60 PERCENT TO 65 PERCENT OF AMOUNT BY WHICH ACTUAL RENT EXCEEDS 15 PERCENT OF SALARY, BUT NOT MORE THAN 30 PERCENT. CASH OUTLAY OF BANK WOULD REMAIN AS AT PRESENT ON ASSUMPTION 6.5 PERCENT STAFF SALARY INCREASE APPROVED. RENTAL SUBSIDY SCHEME WOULD BE CONTINUED FOR ANOTHER YEAR, SUBJECT TO REVIEW BEFORE SEPTEMBER 30, 1978. USADB PROPOSES TO AGREE TO MANAGEMENT PROPOSAL BUT TO MAKE CLEAR ITS CONCERN WITH FORMULA FOR LIMITED OFFICIAL USE

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RENTAL SUBSIDY. END SUMMARY.

1. IN SEPTEMBER 1975, ADB BOARD OF DIRECTORS FIRST APPROVED INTRODUCTION OF RENTAL SUBSIDY SCHEME FOR PROFESSIONAL STAFF TO BE EFFECTIVE FOR 12-MONTH TRIAL PERIOD BEGINNING OCTOBER 1, 1975. IN FOLLOWING YEAR BOARD REVIEWED SCHEME AND APPROVED CONTINUATION FOR ANOTHER 12 MONTHS ENDING

SEPTEMBER 30, 1977, AND INCREASED RENTAL SUBSIDY FROM 50 PERCENT TO 60 PERCENT OF AMOUNT BY WHICH RENTAL EXCEEDED 15 PERCENT, BUT NOT MORE THAN 30 PERCENT OF BASIC SALARY. SCHEME WAS FIRST INTRODUCED IN VIEW VERY SUBSTANTIAL INCREASES IN RENTS IN MANILA FROM LATE 1973 SO THAT BY MID-1975 SIGNIFICANT NUMBERS OF STAFF WERE PAYING DISPROPORTIONATELY HIGH PERCENTAGES OF SALARIES AS HOUSE RENTALS. (WHEN SCHEME WENT INTO EFFECT, 34 PERCENT OF TOTAL STAFF IMMEDIATELY QUALIFIED FOR SUBSIDY.)

2. BY JUNE 30, 1976, 42.6 PERCENT OF TOTAL STAFF HAD QUALIFIED, AND FOR PRECEDING NINE-MONTH PERIOD AVERAGE RENTALS FOR THOSE RECEIVING SUBSIDIES HAS INCREASED BY 15.7 PERCENT. FACTORS LEADING TO INCREASED RENTALS AT THAT TIME WERE IDENTIFIED AS: (A) DEMAND FOR RENTED ACCOMMODATION BY MULTINATIONAL CORPORATIONS AND OTHER FOREIGN BUSINESS HOUSES WHO WERE GENERALLY PREPARED TO PAY HIGH RENTALS FOR THEIR INTERNATIONAL PERSONNEL; (B) CONTINUED PREFERENCE OF LANDLORDS FOR RENTAL AGREEMENTS WITH SUCH ORGANIZATIONS RATHER THAN INDIVIDUALS; AND (C) BAN ON FOREIGNERS OWNING PROPERTY IN THE PHILIPPINES (EXCEPT FOR CONDOMINIUMS), WHICH FORCES THEM TO COMPETE IN LIMITED RENTAL MARKET. LANDLORDS ALSO IMPOSED LEASING CONDITIONS AT EXPENSE OF LESSEE (E.G., ADVANCE RENTALS AND RESPONSIBILITY OF LESSEES FOR PORTION OR ALL OR MAINTENANCE/REPAIR EXPENSES).
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3. DURING ELEVEN-MONTH PERIOD JUNE 20, 1976 TO MAY 31, 1977, NUMBER OF QUALIFIED PERSONNEL ROSE TO 65.4 PERCENT, WHILE AT SAME TIME AVERAGE MONTHLY RENTALS INCREASED BY 10.3 PERCENT. WHEN COMPARED WITH 15U PERCENT INCREASE OVER NINE-MONTH PERIOD OCTOBER 1, 1975 TO JUNE 30, 1976, RECENT INCREASE INDICATES EASEMENT IN RATE OF ANNUAL INCREASE. HOWEVER, 23 PERCENT INCREASE IN NUMBER OF PERSONS RECEIVING RENTAL SUBSIDY REFLECTS FACT THAT ACCOMMODATION WITH RENTALS BELOW 15 PERCENT OF SALARY IS BECOMING MORE DIFFICULT TO FIND. BANK NOTED THAT ALL NEW STAFF MEMBERS APPOINTED TO BANK SINCE JUNE 30, 1976 ARE RECEIVING RENTAL SUBSIDY TO SOME EXTENT. ALSO, COMPARED WITH STAFF IN UPPER SALARY RANGES IV TO VII, MUCH GREATER PERCENTAGE OF STAFF IN LOWER RANGES I TO III (WHICH ARE RANGES USED FOR RECRUITMENT OF VIRTUALLY ALL NEW STAFF MEMBERS) ARE RECEIVING RENTAL SUBSIDY, AND THERE IS GREATER NUMBER WHO PAY RENTALS EXCEEDING 21 PERCENT OF SALARY AFTER RECEIVING FULL RENTAL SUBSIDY CURRENTLY PROVIDED.

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 H-01 L-03 PA-01
PRS-01 AID-05 CIAE-00 COME-00 EB-08 FRB-03 INR-07
NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02 LAB-04
SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 /104 W
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P 150634Z AUG 77
FM AMEMBASSY MANILA
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4. BANK MANAGEMENT NOTE THAT CONSTRUCTION OF HOUSING COMPLEX AS ALTERNATIVE TO PAYMENT OF RENTAL SUBSIDY IS COMPLICATED UNDERTAKING REQUIRING CAREFUL STUDY. HOWEVER, NO INDICATION HAS BEEN RECEIVED BY BOARD AS TO WHAT EFFORTS BANK HAS MADE IN REGARD TO PROVIDING LONG-RUN SOLUTION TO HOUSING PROBLEM.

5. IN BANK MANAGEMENT'S VIEW, AVAILABLE INFORMATION INDICATES A FURTHER DETERIORATION OF RENTAL SITUATION IN MANILA SINCE PREVIOUS REVIEW. WHILE AVERAGE INCREASE IN COST OF RENTALS DURING PERIOD UNDER REVIEW IS LESS THAN INCREASE IN PREVIOUS PERIOD, BANK CONTENDS THERE IS NO EVIDENCE THAT RENTAL CHARGES HAVE STABILIZED. BANK CONCLUDES THAT EXTENSION OF RENTAL SUBSIDY SCHEME IS REQUIRED FOR ANOTHER YEAR, SUBJECT TO REVIEW BEFORE SEPTEMBER 30, 1978. IT FURTHER CONCLUDES THAT AMOUNT OF SUBSIDY SHOULD BE INCREASED TO MAINTAIN AT LEAST THE SAME PERCENT LEVEL OF ASSISTANCE
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NOW BEING PROVIDED. ASSUMING A SALARY INCREASE OF 6.5 PERCENT AS PROPOSED IN GENERAL SALARY REVIEW (SEE REFTTEL), BANK

ESTIMATES THAT A FIVE PERCENT INCREASE IN RENTAL SUBSIDY IS NEEDED.

6. IN VIEW ABOVE, BANK MANAGEMENT PROPOSES THAT AMOUNT OF RENTAL SUBSIDY BE INCREASED FROM 60 PERCENT TO 65 PERCENT OF AMOUNT OF WHICH ACTUAL RENT EXCEEDS 15 PERCENT OF SALARY, BUT NOT MORE THAN 30 PERCENT OF SALARY. IT IS ESTIMATED THAT PRESENT SCHEME OF 60 PERCENT SUBSIDY FOR PERIOD OCTOBER 1, 1977 TO SEPTEMBER 30, 1978 WOULD COST \$465,000. IF PROPOSED CHANGE IN SUBSIDY SCHEME IS EFFECTED, ESTIMATED COST DURING SAME PERIOD WILL INCREASE BY AN ADDITIONAL \$38,500 OR TOTAL OF \$503,500. HOWEVER, BANK ESTIMATES THAT ANY UPWARD MOVEMENT OF STAFF SALARIES WILL REDUCE TO A DEGREE THE RATE OF INCREASE IN NUMBERS PARTICIPATING AND HENCE AMOUNT PAID BY GANK FOR RENTAL SUBSIDY, IN VIEW REDUCTION IN ANNUAL AVERAGE PERCENTAGE INCREASE IN RENTALS. IF SALARIES ARE INCREASED BY PROPOSED 6.5 PERCENT, ESTIMATED COST OF RENTAL SUBSIDY OF \$503,500 WOULD BE DECREASED BY ABOUT 7.6 PERCENT OR \$38,200.

7. ON ASSUMPTION THAT THERE WILL BE A 6.5 PERCENT INCREASE IN SALARIES AS PROPOSED IN GENERAL SALARY REVIEW PAPER, TOTAL AMOUNT OF SUBSIDY WOULD ACTUALLY REMAIN ABOUT SAME. HOWEVER, SHOULD SALARY INCREASE BE LESS THAT PRESENTLY PROPOSED, THERE WOULD BE EVEN MORE JUSTIFICATION FOR INCREASED RENTAL SUBSIDY. THEREFORE, USADB PROPOSES TO AGREE TO MANAGEMENT PROPOSAL, WHILE AT SAME TIME MAKING CLEAR ITS CONCERN WITH PRESENT FORMULA, WHICH MAY TEND (A) TO MINIMIZE RECIPIENTS' INTEREST IN NEGOTIATING STRONGLY WITH LANDLORDS IN VIEW SIGNIFICANT SUBSIDY PERCENTAGE PAID BY BANK OR (B) TO ENCOURAGE BANK PERSONNEL LIMITED OFFICIAL USE

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TO SEEK MORE EXPENSIVE HOUSING THAN MIGHT BE NEEDED.

8. ADB DOC. EX-R5-77 ON ABOE SUBJECT WAS POU DHCE AUGUST 11 AND WILL BE CONSIDERED BY BOARD OF DIRECTORS AUGUST 30. NAC GUIDANCE IS REQUESTED.
EDMOND

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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: N/A
Errors: N/A
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SAS ID: 1603224
Secure: OPEN
Status: NATIVE
Subject: RENTAL SUBSIDY - ADB PROFESSIONAL STAFF
TAGS: EAID, EFIN, RP, ADB
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/0218f25a-c288-dd11-92da-001cc4696bcc
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